

Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 4903
INFO AMEMBASSY OTTAWA
AMCONSUL MONTREAL
AMCONSUL QUEBEC

UNCLAS TORONTO 0246

E.O. 11652: N/A
TAGSC EINV, PGOV, SOPN,CA
SUBJECT: TORONTO REACTION TO LEVESQUE SPEECH

1. SUMMARY. WHILE TORONTO REACTION TO QUEBEC PREMIER LEVESQUE'S SPEECH IN NEW YORK JANUARY 25 UNCERTAIN AS FAR AS POSSIBLE EFFECTS ON QUEBEC ABILITY RAISE FINANCING, THERE IS GENERAL AGREEMENT THAT SPEECH OPENED EYES OF CANADIANS WHO HAD STILL NOT ACCEPTED LEVESQUE'S ULTIMATE GOAL OF SEPARATION THAT THAT QUEBEC CLIMATE FOR DIRECT INVESTMENT NOW EVEN LESS APPEALING THAN BEFORE SPEECH.END SUMMARY.

2. FIRST DAY'S MEDIA REACTION IN TORONTO TO LEVESQUE SPEECH WAS THAT THE SPEECH, WHILE AN EFFECTIVE POLITICAL DECLARATION, WAS THE WRONG SPEECH TO THE WRONG AUDIENCE. THIS WENT FROM THE QUOTATION IN THE TORONTO SUN FROM A TORONTO ECONOMICS CONSULTANT THAT LEVESQUE SHOULD HAVE BEEN CONVINCING NON-QUEBEC INVESTORS IN CANADA OF THE SAFETY OF THEIR INVESTMENT SINCE MOST OF INVESTMENT IN QUEBEC COMES FROM CANADA TO THE FRONT PAGE HEADLINE OF THE TONTO STAR "LEVESQUE NO HIT IN NEW YORK." THE TORONTO STAR EDITORIAL STATED THAT THE LEVESQUE SPEECH" SHOULD AWAKEN EVEN THE MOST COMPLACENT CANADIANS TO THE TRUTH THAT THIS COUNTRY IS IN DEADLY PERIL" AND UNCLASSIFIED

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URGED ADOPTION OF AN ACTIVIST POLICY TO WIN OVER "QUEBECKERS TO THE CAUSE OF CANADA INSTEAD OF THE TRUDEAU BRAND OF FEDERALISM, WHICH HAS MANIFESTLY FAILED TO DO SO." THE STAR RADIO/TELEVISION COLUMNIST DENNIS BRAITHWAITE BEMOANED NOT ONLY THAT THE FATE OF ALL CANADA

IS IN THE HANDS OF TWO FRENCH CANADIAN LEADERS BUT THAT "WE HAVE TO HEAR THEIR CONFLICTING APPEALS FROM THE U.S., LEVESQUE FROM NEW

YORK AND TRUDEAU, IN A WEEK OR SO, FROM WASHINGTON."

3. ELECTRONIC MEDIA REACTION HAD BEEN VERY NEGATIVE, USING EXTENSIVE QUOTATIONS FROM UNNAMED CANADIANS AT DINNER REGARDING SEDITION AND TREASON. THIS PHENOMENON CONTINUATION OF OBVIOUS PENT-UP ANGER OF CTV NETWORK OTTAWA BLSAU CHIEF BRUCE PHILLIPS IN COMMENTARY

IMMEDIATELY FOLLOWING SPEECH JANUARY 25.

4. MEDIA EXPERT PROFESSOR MARSHALL MCLUHAN IN TELEPHONE CONVERSATION WITH CONSUL GENERAL SAW LEVEQUE'S PRESENTATION AS "COOL-HEADED" AND EXPRESSED SURPRISE AT HIGH LEVEL OF PRESS CRITICISM OF PREMIER'S "EXTREMISM." MCLUHAN THOUGHT THAT LEVESQUE'S PERFORMANCE WAS APPEALING TO QUEBECKERS BUT THAT, IN VIEW OF ADVERSE CANADAIN PRESS COMMENT, THE REACTION FROM THE REST OF CANADA WILL BE UNPREDICTABLE AND MAY POSSIBLY BE ADVERSE BECAUSE OF THE UNFAVORABLE PRESS. PROFESSOR MCLUHAN SUGGESTED THAT LEVESQUE'S "OPPOSITION ORIENTATION" AS A MEMBER OF A MINORITY PARTY MAY NOT HAVE PREPARED HIM FOR THE "MORE POSITIVE APPROACH" HE SHOULD BE TAKING AS THE LEADER OF A MAJOR POLITICAL PARTY IN QUEBEC.

5. A WELL AND FAVORABLY KNOWN SENIOR BANKING EXECUTIVE INDEPENDENTLY SUGGESTED TO THE CONSUL GENERAL JANUARY 26 THE SIMILAR THOUGHT THAT LEVESQUE MAY NOT HAVE GOTTEN USED TO THE IDEA OF BEING MAJORITY LEADER AND STILL CASTS HIMSELF IN THE ADVERSARY ROLE OF MINORITY "HEDGE ROW" COMBATANT. THE EXECUTIVE SAID HE WAS SURPRISED THAT THE PREMIER MADE A POLITICAL SPEECH TO THE BUSINESS COMMUNITY AS THE POLITICAL RISK INHERENT IN THE PROCESS OF SEPARATION IS SOMETHING TO WHICH THE MONEY MARKET IS EXTREMELY UNCLASSIFIED

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SENSITIVE AND THE APPROACH COULD ONLY UNDERMINE CONFIDENCE. THE EXECUTIVE MADE THE POINT STATED BY MACLEAN'S MAGAZINE EDITOR PETER NEWMAN'S CFCF-TV COMMENTARY FROM NEW YORK FOLLOWING THE SPEECH THAT QUEBEC IS RELATIVELY INSIGNIFICANT ON THE NEW YORK MONEY MARKET. THIS, ACCORDING TO THE BANK CONTACT, WHEN COUPLED TO THE POLITICAL INSTABILITY SUGGESTED IN THE PREMIER'S SPEECH, INCLUDING THE QUESTIONABLE UNDERWRITING OF QUEBEC FINANCING THAT MIGHT BE EXPECTED FROM OTTAWA, WAS NOT FAVORABLE TO THE PROVINCE. HE BELIEVE THAT THE BEST INDICATOR OF THE NEW YORK MARKET'S REACTION TO THE SPEECH WILL BE THE DISCOUNT RATE ON QUEBEC ISSUES.

6. IN A NOON JANUARY 26 RADIO BUSINESS PROGRAM, DOUGLAS PETERS, VICE PRESIDENT AND CHIEF ECONOMIST OF THE TORONTO DOMINION BANK, SAID THAT LEVESQUE, WHILE SAYING ALMOST ALL THE RIGHT THINGS, MISSED ON REASSURANCES ABOUT NATIONALIZATION AND DID NOT SUCCESSFULLY DISABOW THE STRONG SOCIALIST TENDENCIES OF THE PQ. PETERS SAID HE THOUGH AN INDEPENDENT QUEBEC COULD SURVIVE BUT RAISED THE QUESTION THAT WHAT TYPE OF ECONOMY WOULD IT HAVE TO BE TO DO SO? HE FELT THAT THE FURTHER EXTENSION OF THE DATE FOR THE REFERENDUM

IN THE PREMIER'S SPEECH IS NOT THAT SIGNIFICANT -- PETERS FELT THAT AS LONG AS THE PQ IS IN POWER, THE NUB OF UNCERTAINTY ISSUE REMAINS AND THAT, NO MATTER WHEN OR HOW MANY REFERENDA ARE HELD, "UNTIL THE PQ GOES, YOU WILL NOT HAVE THE RETURN OF STRONG INVESTOR CONFIDENCE." PETERS EXPRESSED THE CONVICTION THAT THE CANADIAN FINANCIAL COMMUNITY WAS STANDING BY CONEDERATION AND QUEBEC IN ITS DAY-TO-DAY DECISION BUT RECOGNIZED THAT INDIVIDUAL COMPANIES CONSIDERING LONG-TERM INVESTMENT IN QUEBEC WOULD HAVE DIFFERENT BASIC CONSIDERATIONS. PETERS CONTINUED THAT AN INDEPENDENT QUEBEC WOULD DO SERIOUS HARM TO THE CANADIAN ECONOMY WITH ITS ALREADY SMALL MARKET,

THAT LEVESQUE IS SIMPLISTIC IN THAT HE IGNORES THAT THE COMPLEXITIES OF THE CANDIAN-QUEBEC RELATIONSHIP ARE EVEN MORE INVOLVED THAT THOSE OF THE CANDAIN - U.S. RELATIONSHIP AND THIS HIS OWN BELIEF IS THAT LEVESQUE SHOULD TALK TO CANADIAN INVESTORS THE WAY HE HAS SEEN FIT TO TALK TO THE AMERICA FINANCIAL COMMUNITY.

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7. COMMENT: THE FIRST IMPRESSION HERE IS THAT LEVESQUE SPEECH HAS WORSENERED THE INVESTMENT CLIMATE IN QUEBEC BUT THAT IT IS FORCING MANY ENGLISH CANADIANS TO SERIOUSLY CONSIDER THE PROBLEM POSED BY THE PQ VICTORY IN NOVEMBER. OPINION IS ANGRY AND IT MAY TAKE SEVERAL DAYS AT LEAST BEFORE WE HAVE FIRM REACTIONS FROM THE TORONTO INVESTMENT COMMUNITY. COMMENTS AT THE WORKING LEVEL THE MORNING OF JANUARY 26 WERE VERY UNCERTAIN ALTHOUGH ONE BANKING SPECIALIST IN INDUSTRIAL DEVELOPMENT DID TELL THE CONSULATE GENERAL THAT HE BELIEVED MANY HEAD OFFICE OPERATIONS IN MONTREAL "HAD THEIR BAGS PACKED" AND THAT THE PREMIER'S SPEECH WOULD PROBABLY CONVINCE THEM TO MOVE TO ONTARIO OR ELSEWHERE.

8. THE CONSULATE GENERAL IS WORKING ON A CABLE REFLECTING INVESTMENT COMMUNITY REACTIONS AND HOPES TO FILE SUCH REPORT WITHIN A WEEK.
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